

Message Text

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INFO OCT-01 EUR-06 EA-04 IO-03 ADP-00 SS-07 AID-01 NSC-04

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INFO AMEMBASSY BONN

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EO: 11652 NA

TAGS: OREP, EEC, PFOR (CODEL ROSENTHAL/ FRASER)

SUB: CODEL ROSENTHAL/ FRASER MEETING WITH EC COMMISSION--

US- EC RELATIONS AND GENERAL POLICY

1. SUMMARY: ON MAY 4 CODEL ROSENTHAL/ FRASER MEMBERS HELD DISCUSSIONS WITH EC COMMISSION MEMBERS SOAMES,(HAFERKAMP, GUNDELACH, AND LARDINOIS. THEY WERE ALSO RECEIVED BY COMMISSION PRESIDENT ORTOLI WHO GAVE THEM A LUNCHEON. ON BOTH SIDES, THE MAIN EMPHASIS WAS ON THE IMPORTANCE OF OVERALL US- EC RELATIONS AND THE NEED TO KEEP SPECIFIC DIFFERENCES IN PERSPECTIVE IN LIGHT OF BASIC COMMON INTERESTS. THE CODEL MEMBERS EFFECTIVELY BROUGHT OU US CONCERNS IN VARIOUS AREAS

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AND ELICITED USEFUL RESPONSES. THIS TELEGRAM REPORTS HIGHLIGHTS OF THE DISCUSSION ON GENERAL ATLANTIC RELATIONS: JAPAN; LDC QUESTIONS INCLUDING PREFERENCES; MONETARY QUESTIONS; AND ENERGY. AGRICULTURE IS

REPORTED IN A SEPARATE MESSAGE. END SUMMARY.

2. US- EC RELATIONS AND GENERAL POLICY; COMMISSION VICE PRESIDENT SIR CHRISOPHER SOAMES COVERED ESSENTIALLY THE SAME GROUND AS WITH CODEL CANNON EARLIER THIS WEEK (EC BRUSSELS 2385) BUT ADDED SEVERAL INTERESTING COMMENTS. ON THE KISSINGER SPEECH, SOAMES DISAVOWED VARIOUS QUOTE FOOLISH UNQUOTE COMMENTS BY EUROPEANS WHO HAVE BEEN STRAINING TO READ BETWEEN THE LINES. HE CALLED IT QUOTE DAME GOOD UNQUOTE OVERALL WHILE NOTING THAT SOME PASSAGE REQUIRE FURTHER ELUCIDATION AND REMEMBERING THAT EUROPEANS COULD NAURALLY NOT BE EXPECTED TO AGREE WITH EVERY POINT IN IT. POINTING TO AFRICA, THE MEDITERRANEAN AND THE RESIDUAL UK ROLE IN ASIA, SOAMES QUESTIONED KISSINGER' S REFERENCE TO QUOTE EUROPEAN REGIONAL INTERESTS UNQUOTE. SOAMES PARTICULARLY WELCOMED THE EMPHASIS ON REDEFINING AND REAFFIRMING COMMON INTERESTS IN LIGHT OF THE CHANGED INTERNATIONAL SITUATION. BUT HE PRONOUNCED HIMSELF AS NOT NECESSARILY SOLD ON THE IDEA OF A SPECIFIC NEW ATLANTIC CHARTER AND DOUBTFUL ABOUT THE NEED FOR ANY NEW US- EUROPEAN INSTITUTIONAL ARRANGEMENTS. AS WITH CODEL CANNON, SOAMES ENTERED A STRONG PLEA FOR MAINTENANCE OF NATO DEFENSES AND A WARNING ABOUT MISREADING DETENTE TO MEAN THAT THE SOVIETS NO LONGER HAVE POLICY OBJECTIVES CONTRARY TO THOSE OF THE WEST.

3. SOAMES DOUBTED THAT IT IS WISE OR PRACTICABLE TO ATTEMPT EITHER TO MEASURE OR TO BASE OPERATIONAL NEGOTIATIONS ON THE LINKAGE BETWEEN DEFENSE, MONEY, TRADE, ETC. ALTHOUGHT THESE AREAS WERE ALL OBVIOUSLY INTERRELATED. SOAMES RECOGNIZED THE US DILEMMA IN THAT SOME EUROPEANS WOULD LIKE MORE SPECIFIC US PROPOSALS BUT OTHERS WOULD CRITICIZE THE US FOR TRYING TO IMPOSE ITW OWN PLAN HAD KISSINGER BEEN MORE SPECIFIC.

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4. MULTILATERAL TRADE NEGOTIATIONS: WHILE NOT DISCUSSED IN DETAIL, THE EC COMMISSIONERS AND CODEL MEMBERS ALL STRESSED THE IMPORTANCE OF SUCCESS IN THE TRADE NEGOTIATIONS. SOAMES HOPED THAT THE DEBATE IN THE CONGRESS WOULD NOT BRING OUT TOO MANY PROTECTIONIST STATEMENTS THAT COULD BE PLAYED BACK IN EUROPE AND COMPLICATE THE COMMISSION' S TASK IN GETTING A LIBERAL MANDATE FROM THE EC COUNCIL.

5. CONGRESSMAN GIBBONS EXPRESSED CONSIDERABLE INTEREST IN SEEING THA THE NEGOTIATIONS INCLUDE DISCUSSION ON INTERNATIONAL HARMONIZATION OF TAX POLICY AS APPLIED TO FOREIGN TRADE. HE REFERRED SPECIFICALLY TO THE

TVA/ BORDER TAX ISSUE AND SUGGESTED THAT WE WOULD BE PREPARED TO RECONSIDER DISC IN THIS CONTEXT. EC COMMISSIONER GUNDELACH REFERRED TO THE COMMUNITY'S WELL- KNOWN VIEW THAT TAX REBATES OF TVA ARE NEUTRAL WITH RESPECT TO TRADE. HE THOUGHT THE COMMUNITY WOULD BE PREPARED TO DISCUSS VIRTUALLY ANY ISSUE IN THE NTB AREA IF ITS PARTNERS INSISTED. HE WARNED HOWEVER THAT THE TAX AREA IS A DIFFICULT AND TRICKY FIELD THAT COULD ENGAGE NEGOTIATORS FOR YEARS. HE MADE A PLEA FOR SELECTIVITY AND CONCENTRATION ON THE MOST IMPORTANT, BIG NTBS. (HE OBVIOUSLY DOES NOT CONSIDER THE TAX QUESTION ONE OF THEM).

6. TRADE WITH JAPAN; CONGRESSMEN FRASER AND FRELINGHUYSEN RAISED QUESTIONS ABOUT THE EUROPEAN ATTITUDE TOWARD JAPAN AND TRADE WITH THAT COUNTRY. SOAMES EXPRESSED AGREEMENT WITH THE KISSINGER SPEECH REGARDING THE NEED SOMEHOW TO TIE JAPAN INTO WESTERN ARRANGEMENTS. HE SAID THAT EUROPEANS ARE BECOMING PROGRESSIVELY MORE CONSCIOUS OF THE IMPORTANCE OF JAPAN. (HE WAS MEETING WITH THE JAPANESE FOREIGN MINISTER LATER THE SAME DAY.) BUT EUROPEANS WERE ALSO BEGINNING TO HAVE TROUBLE WITH JAPANESE PENETRATION OF THEIR MARKETS SIMILAR TO THE US EXPERIENCE. THE LONG- TERM ANSWER IS TO GET JAPAN TO OPEN UP TO IMPORTS AND FOREIGN INVESTMENT EVEN THOUGH THIS WILL TAKE TIME.

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7. GUNDELACH SAID THAT MOST EUROPEAN SPECIAL RESTRICTIONS AGAINST JAPANESE IMPORTS HAVE BEEN LIFTED ALTHOUGH HE RECOGNIZED THAT SOME MEMBER STATES (FRANCE AND BENELUX) STILL MAINTAINED THEM IN CERTAIN AREAS. GUNDELACH POINTED OUT THAT EUROPEAN IMPORTS ARE RISING RAPIDLY AS THE JAPANESE BEGIN TO TURN TO EUROPE FOLLOWING THEIR DIFFICULTIES WITH THE US. THIS IS WHY THE COMMUNITY BELIEVES THAT THE GATT NEGOTIATIONS MUST INCLUDE A SERIOUS EXAMINATION OF THE MULTILATERAL SAFEGUARD QUESTION. REMINDED BY AMBASSADOR GREENWALD THAT THE COMMUNITY HAS SOUGHT A BILATERAL SAFEGUARD ARRANGEMENT IN ITS TRADE AGREEMENT NEGOTIATIONS WITH JAPAN, GUNDELACH REPLIED (A) THE NEGOTIATIONS ARE NOW DORMANT DUE TO JAPANESE RESISTANCE AND (B) EUROPEAN ATTENTION IS NOW TURNING
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TOWARD THE MULTILATERAL APPROACH.

8. LDCS AND PREFERENTIAL AGREEMENTS: IN RESPONSE TO CODEL QUESTIONS-- ESPECIALLY BY CONGRESSMAN GIBBONS-- SOAMES AND GUNDELACH RECOGNIZED THE US CONCERN ABOUT THE COMMUNITY'S PREFERENTIAL AGREEMENTS IN THE MEDITERRANEAN AND AFRICA. THEY DEFENDED THE COMMUNITY POLICY IN FAMILIAR TERMS: HISTORY, GEOGRAPHY, AND THE PROBLEM OF THE QUOTE LEAST DEVELOPED COUNTRIES UNQUOTE. SOAMES ARGUED PARTICULARLY THE IMPORTANCE OF THE EUROPEANS' PROVIDING MARKETS FOR THE LDCS IN QUESTION IN ORDER TO AVOID POLITICAL VACUUMS THAT MIGHT BE FILLED BY UNFRIENDLY POWERS.

9. GUNDELACH MAINTAINED HE TRADE DATA SHOW THAT THE EFFECT ON THIRD COUNTRIES OF EC PREFERENTIAL ARRANGEMENTS WITH LDCS IS SO SMALL-- AND THE TOTAL TRADE VOLUME SO SMALL-- THAT THE MFN PRINCIPLE IS NOT BEING SERIOUSLY IMPAIRED. HE ALSO STATED THAT GENERALIZED PREFERENCES ARE NOT AN ADEQUATE SUBSTITUTE SINCE MANY OF THE COUNTRIES ARE SO POOR THAT THEY MUST BE GIVEN SPECIAL ADVANTAGES IN THE COMMUNITY MARKET AS COMPARED WITH OTHER DEVELOPING COUNTRIES.

10. GUNDELACH EMPHASIZED SEVERAL TIMES, HOWEVER, THAT THE COMMISSION PROPOSALS FOR YAOUNDE RENEGOTIATIONS WOULD PERMIT THE LDCS TO GENERALIZE TO THE US AND OTHER COUNTRIES THE SAME ADVANTAGES THEY ARE GIVING THE COMMUNITY. HE RECOGNIZED, IN RESPONDING TO CONGRESSMEN GIBBONS AND VANDER JAGT, THAT THERE HAVE BEEN QUOTE PSYCHOLOGICAL UNQUOTE

PROBLEMS IN THE PAST; I. E., THE LDCS HAD THE IMPRESSION THAT THE EUROPEANS INSISTED UPON REVERSE PREFERENCES AS THE PRICE FOR THEIR AID. GUNDELACH CLAIMED THAT IN CONNECTION WITH ITS PROPOSALS TO THE EC COUNCIL AND IN ITS DIRECT CONTACTS WITH THE LDC ASSOCIATES, THE COMMISSION (AND BY IMPLICATION THE COMMUNITY) IS MAKING ABUNDANTLY CLEAR THAT THIS IS NOT THE CASE.

11. MONETARY QUESTIONS: COMMISSION VICE PRESIDENT HAFERKAMP SAID THAT THE LATEST INTERNATIONAL MONETARY DECISIONS AND THE EUROPEAN JOINT FLOAT WERE WORKING WELL FOR THE MOMENT AND HAD BROUGHT A WELCOME BREATHING SPACE. HE AND SOAMES BOTH THOUGHT, HOWEVER, THAT THIS LIMITED OFFICIAL USE
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COULD NOT BE THE FINAL ANSWER AND THAT WORK ON INTERNATIONAL MONETARY REFORM SHOULD GO AHEAD AT FULL STEAM. IN OUTLINING THE COMMUNITY' S WORK ON MONETARY UNION, HAFERKAMP EMPHASIZED THE NECESSITY OF OBTAINING A MUCH HIGHER DEGREE OF HARMONIZATION IN MEMBER STATE ECONOMIC AND SOCIAL POLICIES IF THE 1980 TARGET DATE IS TO BE MET.

12. ENERGY. RESPONDING TO CONGRESSMEN FRASER AND WOLFF, HAFERKAMP STRESSED THE COMMISSION' S INTEREST IN COOPERATION WITH THE US AND JAPAN ON WORLD ENERGY PROBLEMS. HE NOTED THAT COMMISSION VICE PRESIDENT SIMONET WOULD BE GOING TO WASHINGTON FOR TALKS FOLLOWING THE LATE MAY SPECIAL EC COUNCIL MEETING ON ENERGY. HAFERKAMP THOUGHT THAT US- EC COOPERATION COULD INVOLVE INCREASED EXCHANGES OF INFORMATION IN THE R AND D FIELD AND EVENTUALLY JOINT PROJECTS IN SUCH AREAS AS COAL GASIFICATION. HE ALSO BELIEVED CLOSE COOPERATION AMONG THE CONSUMER COUNTRIES IS NEEDED ON A MORE GENERAL BASIS REGARDING OIL IMPORTS. BUT HE CAUTIONED THAT AN OVERT ANTI- OPEC FRONT WOULD INVOLVE SERIOUS RISKS IN RELATIONS WITH THE OIL PRODUCING STATES.
GREENWALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 02 APR 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 04 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU02452
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730558/abqcdzhr.tel
Line Count: 260
Locator: TEXT ON-LINE
Office: n/a
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 02 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02-Aug-2001 by shawdg>; APPROVED <10-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: OREP, EEC, PFOR (CODEL ROSENTHAL/ FRASER)
To: STATE INFO BONN
BRUSSELS
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Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005